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**PUBLIC ADMINISTRATION REFORM IN VIETNAM:  
PROBLEMS AND PROSPECTS<sup>†</sup>**

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SUMMARY

Public Administration Reform (PAR) in Vietnam is an ambitious programme that seeks to implement 'rule by law' within a centralized, state management framework. It is a political strategy by the key party and state officials with the aim of institutionalizing and legitimizing the transition to the 'socialist market economy' through creating a dependable system of rule-bound public administration. This programme has received extensive donor support. In the content and trajectory of PAR, external models and technical assistance are influential but the political struggle over control of state resources shapes the process. This is seen in the attempts to constitutionalize the powers of state organs and to distinguish them from the party; to separate owner and manager roles and to replace political with economic criteria in the operation of state owned enterprises; to combat corruption in 'street level' decision making; to rationalize the machinery of government; to create a centrally managed, professional civil service; and to reform the system of public finances. In each of these areas, there is resistance to reform proposals and evidence of implementation gaps. In these circumstances, concentration of donor support on the centrally managed PAR programme is a high risk strategy. Continued support for local, 'bottom-up' reform initiatives could help sustain the demand for reform. Copyright © 2002 John Wiley & Sons, Ltd.

Administrative reform in transition countries has been explained and interpreted from a number of perspectives. One interpretation is that the reforms are a direct result of the demands of the transition from a socialist economy. For example, Burns (2001, p. 103) argues that in China, following economic reforms '... changes to the role of the State, its structure and to the civil service were obviously needed'. A second interpretation views administrative reform from a comparative and historical perspective as part of a broader developmental or modernization process (Riggs, 1997; Tsao and Worthley, 1995). A third interpretation looks at the effects of global ideas and movements such as 'reinventing government' or 'new public management' (Straussman and Zhang, 2001). A fourth interpretation stresses the domestic political context, for example the transition from one set of leaders to another, the struggle by local governments for autonomy or the tensions caused by unrest over official corruption (Burns, 1993, pp. 356–358; Tong *et al.*, 1999; Koh, 2001).

The approach adopted here focuses on the internal political struggles over administrative reform in Vietnam, and from this perspective seeks to show how and why the reform programmes take the form that they do. In particular, the focus is on the ideological struggle within the political elite over the content of the reform agenda and the ensuing political battles over the control of state resources. There is an underlying logic to the trajectory of reform that stems from marketization combined with a strong poverty reduction focus, and there are strong pressures giving voice to this logic from donors such as the World Bank. At the same time the reformers

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in the Vietnamese government are pursuing their aims within a framework of Vietnamese political beliefs and institutional arrangements. Their battles are with a set of oppositional forces within the Vietnamese party state and the manner in which they are being fought out is the primary explanation of current reform trajectory. Reform advocates and donors pressing models of development based on public sector improvement, legal reform and so on must take account of these domestic factors in shaping their programmes of assistance.

This article views key aspects of state restructuring in Vietnam from these perspectives. It first outlines the main points in the reform programmes and briefly describes their origins. Second, it outlines the character of the Vietnamese party state and the doctrinal debates that underlay the restructuring programme. Third it turns to particular aspects of the reform process: state owned enterprises, anti-corruption, administrative reorganization of the central government, civil service reform and public finances. For reasons of space, other aspects, such as central–local relations and legal reform are excluded. The conclusion draws on this survey of reform issues to assess the current achievements and future prospects for reform, with a final word on strategies for donor assistance.

### THE REFORM PROGRAMME

The process of state restructuring has its origins in the *doi moi* policies initiated in 1986, which announced a major change in direction towards a 'socialist market economy'. Vietnam has since emerged as a mixed economy with increasingly open borders. The 10-Year Socio-Economic Development Plan endorsed by the Ninth Party Congress in April 2001 sets ambitious goals for poverty reduction and economic growth. It refers to the state's 'leading role in the economy' and state-owned enterprises (SOEs) as the 'leading actors' in most key industry sectors, but also reaffirms the role of the market and the need for structural reforms. Public Administration Reform (PAR) is acknowledged as a key element in achieving the goals of the plan particularly through ensuring more efficient state management, a reduction in corruption and a new 'public service' orientation in dealing with citizens. The state restructuring programme also includes SOE reforms, legal reforms, enhancing the capacity of the National Assembly and reforms in the financial sector.

Vietnam's PAR programme is an ambitious one. In 1999, the Government embarked on a comprehensive review. Reform had begun a decade earlier and received endorsement as a coordinated PAR strategy at the eighth plenum of the seventh Party Congress in January 1995. The review was prompted by a feeling that PAR had received insufficient strategic direction and achieved limited results. Five task forces were set up, each drawing on personnel from government agencies and the party, with assistance from international experts (GSC, 2000a). The five subject areas were: political orientation, institutional reform, organizational restructuring, human resource management and public finance management. The review documents are frank and highly critical appraisals of the nature of Vietnam's administrative problems. The main recommendations were endorsed by the party and a government decision of September 2001 on a 'Master Programme on Public Administration Reform for the Period 2001–2010' set out seven reform programmes:

1. ...renovate the development, issuance and quality improvement of legal normative documents
2. ...roles, functions, organizational structures of the agencies in the administrative system
3. staff downsizing
4. ...quality improvement of the contingent of cadres and civil servants
5. ...salary reform
6. ...renovation of financial management mechanisms for administrative and public service delivery agencies
7. ...modernization of the administrative system

Different government agencies were handed responsibility for these programmes and implementation plans and sub-programmes were drawn up (UNDP, 2001). Much of the responsibility lies with two key agencies: the Government Committee on Organization and Personnel (GCOP) and the Office of Government (a virtual Prime Minister's Department).<sup>1</sup>

<sup>1</sup>GCOP was upgraded to ministry status as the Ministry of Interior in August 2002.

The overall reform agenda is an indigenous one but heavily conditioned by global and international considerations. The first steps towards unravelling the infrastructure of the command economy were taken when Vietnam was relatively isolated from western influences. Since the re-establishment of relations with the US and the entry of multi-lateral donor agencies such as the World Bank during the 1990s, the flow of aid and technical assistance has grown to a flood. 'Governance' has been an increasingly important focus of this assistance. The focus of most technical assistance in this area has been on capacity building, such as assistance to improve basic skills and resources in particular agencies and technical help with budgetary and financial management reforms. More broadly, there has been strong advocacy for privatization and commercialization of state owned enterprises; for greater transparency in public finances; for anti-corruption measures; and for regulatory reform to encourage private enterprise and create more of a 'level playing field'. Increasingly, assistance has been geared to facilitate economic integration under the bilateral trade agreement with the US and planned accession to the World Trade Organization. Legal reform and legislative drafting has become an important focus in this connection. These concerns are reflected in, but do not obviously dominate, the list of PAR priorities presented above. For fear of compromising party interests, the two most sensitive areas—administrative reorganization and salary reform—have not been included in the government's proposed programmes of technical assistance.

During the 1990s, several donors became increasingly impatient with the pace of structural reform in Vietnam. In the aftermath of the Asian financial crisis, the effects of which were felt in a slowdown in foreign direct investment (FDI) and economic growth, pressure was increased to hasten reforms. IMF and World Bank loans were made conditional on meeting various 'milestones' in the reform programme. However, donor strategies for the most part have turned to closer cooperation and collaboration through better coordinated programmes including a Governance Partnership, with a view to encouraging and strengthening the hand of reform advocates within the Vietnamese government (UNDP, 2001; World Bank, 2001a). The principal focus in connection with PAR and associated reforms has been on supporting and facilitating the government's own reform plans and projects. The government is very conscious about keeping control of the agenda and making strategic, cautious use of donor funds and technical assistance, although the effects of these inputs on the reform process must not, in the long term, be underestimated.

#### STATE RESTRUCTURING: WHAT'S AT STAKE?

The challenge under the policy of *doi moi* is to transform the state from one that manages and controls collectively owned production processes to one that governs 'across sectors'. Advocates of reform see the need for the state to build a new infrastructure of regulatory instruments, authority relations, delegations, skills and material resources appropriate to its changing role of managing market relations and of regulating a society in which citizens are engaged in increasing numbers in commercial enterprise. The profound nature of this agenda lies in the fact that at one and the same time it calls for rapid rationalization and modernization of the state structures and for a shift in mechanisms of social control and regulation. In some respects, the aim of this transition is captured by standard depictions of the modern, legal-rational Weberian bureaucracy (Raadschelders and Rutgers, 1996; Riggs, 1997). In the Vietnamese context, reformists have theorized this development as the creation of a 'neutral', 'universal', 'administrative' state, as distinct from a 'class' state (Vasavakul, 1999, p. 176).

The nature of the second shift—namely modified mechanisms of social control and regulation—challenges the basis of the regime's legitimacy. The Communist Party of Vietnam has pursued a quasi-corporatist form of political mobilization for the purpose of legitimizing its rule (Jeong, 1997). Liberal democratic reform has been ruled out, but other forms of responsiveness and accountability are vital for regime legitimacy. Maintaining political stability during economic transition will increasingly depend on the success of the state rationalization process itself in attaining a degree of regularity, due process and fairness in social relations between the state and the non-state sector—e.g., transparent systems of revenue collection, adequate provision of public goods, and effective regulatory enforcement. In such a context, the efficiency, regularity and accountability of state actions as they relate to the perceived interests and rights of individuals and groups are of growing importance. Among the early initiatives in the PAR process, e.g., was the establishment of local 'one-stop-shops' in order to ease problems experienced by citizens trying to register land use rights and to engage in other administrative transactions as private citizens.

The fundamental dilemma for the reform process is that it produces contradictory political forces within the state. On the one hand, there is a struggle for control over state owned resources because some party and state actors engage in appropriation and wealth-creation through their state positions and at the same time, the party centre is also concerned to regulate such activity and moderate its consequences in so far as they affect party legitimacy in the wider society. On the other hand, the aim of reform is to regulate, by law and through routine administrative action, the control and use of state resources—land, revenue, personnel, credit and above all bureaucratic discretion over their allocation. The reform momentum is provided in part by the coincidence of interests between those seeking to assert central control for different reasons—one group being intent on maintaining political control, the other seeking technical-rational administrative control.<sup>2</sup> This alliance in favour of centralized control is fragile because the second group offers a challenge to the party's traditional role. The rhetoric and instruments of PAR reflect the conflicting aims of those seeking to centralize and regularize, while the pace of change is affected by the resistance of those who would lose materially.

### PARTY AND STATE

A process of constitutionalizing state powers and functions has seen a growing separation of party and state in the 1990s. A revised 1992 constitution was drawn up with a view to creating a state structure more appropriate for a mixed economy. Changes produced a clearer specification of hierarchies of control within the state executive and of an effective role in law making and oversight by the National Assembly. The appointment, powers and functions of the Prime Minister, his deputies and other ministers are set out with some precision so as to create a political executive with clearer lines of accountability, in place of a Council of Ministers and its Chairman operating under a broad remit from the National Assembly. The detail in these provisions is one of their most significant features (RIAP, 2001, pp. 176–177). It signifies the growing importance of the idea of 'rule by law' in the organization and conduct of state affairs.

This development has its parallel in the growing acknowledgement of the separate and specific nature of 'public administration' as an important part of state activity. Party doctrine says that the party 'leads' and the state 'manages', but in practice the party places itself in the position to control and intervene in this 'management' process as and when it sees fit. Steps being taken to separate party and state and authorize a sphere of non-political expert administration are big ones in the context of party doctrine. Vietnam in its pre-Communist days enjoyed a long tradition of public administration, first through emulation of Chinese models of bureaucracy and later as a by-product of French colonial rule, but these traditions sound only as faint echoes in the party state. The party leadership inherited what remained of the legitimacy of Confucian paternalism, but the party is hostile to vestiges of what is labelled 'mandarinism' and 'bureaucratism', that is claims by local officials to exercise their own discretion independent of the party.

However, in the 1990s leading advocates of reform have advocated a clearer separation of party and state with a view to distancing the routines of administration from the politics of the party's leading role. For example, Prime Minister Vo Van Kiet in 1995 circulated a memo to politburo members in the lead up to the 1996 Party Congress, setting out a range of administrative and policy reforms, among them a reshaping of relations between party and state. As paraphrased by Riedel and Turley (1999, p. 37), he argued:

Party and state functions need to be separated more clearly. The party must cease passing its directives through party committee secretaries and instead pass them through the government chain of command, allowing government officials to take full responsibility for implementation. A 'law governed state' must supplant organisational structures that had originated in war, and state agencies for their part must cease their involvement in commercial activities.

<sup>2</sup>'Conservative' and 'reform minded' groups are often depicted locked in battle within the party elite. Finer factional distinctions are sometimes made: reformers, conservatives, balancers, opportunists, the military and so on (Koh, 2001, pp. 537–538). But the groupings are fluid and shift from issue to issue. The current Prime Minister Phan Van Khai is generally viewed as a 'reformer'.

Despite important developments in enumerating the principle of a 'law governed state', the party has by no means surrendered its direct participation in the activities of state institutions. Most senior officials are party members and, at the very top, all of them are. The party organization exercises close control over the careers of all senior state officials. In government departments, active party cadres monitor official business. High-level government working parties considering major policy issues routinely include members and officials of the policy commissions of the party central committee.

In the administrative reform process itself, a prominent part is played by the Party Central Committee for Organization (PCCO), which continues to play a key role in official appointments and questions of discipline. But a small sign of the changing times is to be found in the government's evolving PAR implementation structures, which specify roles and responsibilities for programmes and sub-programmes. As would be expected, the PCCO is listed as a key body involved in implementation decisions, but not for every sub-programme.<sup>3</sup> There appears to be a division of labour and an assignment of specialized roles to the party organization (most prominently in matters concerning personnel recruitment, placement, remuneration and discipline), rather than a diffuse and all-pervasive one.

### DECOUPLING STATE OWNED ENTERPRISES

A lingering source of overlap between state and party is the special interest of the party in the commercial activities of state owned enterprises. Within the party state, following the deregulation of much of the commercial activity of SOEs in the late 1980s, a 'business interest' evolved (Fforde, 1993), comprising many senior party officials, officials in line ministries, SOE managers and workers. This constellation of actors uses state power to advance and protect both the commercial interests of enterprises and their own personal positions. In this context, the reform of the SOE sector is a process that is fraught with implementation problems. While 'socialization'—the name given to various forms of divestiture—is one element of reform, official policy makes clear that the most strategic and successful enterprises will remain in state hands. Reform in their case focuses on various steps to place their operations on a more commercial footing.

Before *doi moi*, no clear organizational distinction was made between policy, planning and production units. Enterprises were part of the fiefdoms of line ministries and local governments. Between 1986 and 1994 many of the smaller SOEs were restructured through mergers or liquidated. Further measures saw the number of SOEs decline from around 12,000 in 1990 to about 5300 in 2000. Most of this reduction occurred before 1994, with a significant slowdown after that. The government approved a programme of equitization of smaller, less strategic enterprises in 1990, involving the distribution of ownership by allocation of shares after approval of a business plan. However this programme has been very slowly implemented (World Bank, 1999, 2002, pp. 41–42).

In 1994–95, the government passed a new law on State Enterprises and created 18 general state corporations, each to oversee a key industry sector in which several enterprises operated. The new corporations were assembled by hiving off parts of departments and ministries, and by bringing the relevant enterprises under their umbrella (Vasavakul, 1997). They were encouraged to structure their conglomerates in such a way as to provide the necessary incentives for enterprises to operate along commercial lines. The line ministry retained the ownership rights, but the management function was taken over by a Board separately appointed by the Prime Minister. The Board makes decisions on production plans and oversees the separate management boards of the enterprises. A separate Board of Inspection monitors performance.

Despite weakening the formal position of the line ministries, the new Board structures may have confused rather than clarified accountability arrangements, weakening rather than strengthening the mechanisms for applying commercial criteria and commercial accountability processes. Enterprises still rely heavily on political influence to survive (e.g., favourable access to credit and tax breaks) (Warner, 2000, pp. 8–9). SOE reform is stalled, but remains firmly on the agenda (Painter, 2002). The Party's Central Committee approved a detailed action plan

<sup>3</sup>The formal allocation of responsibilities was contained in documents produced by the GCOP and circulated in March 2002 among donor agencies in the Governance Partnership.

for on-going reforms in 2001–2005 at the third plenum of the ninth Party Congress, including restructuring the general corporations, a new decree on equitization and regulations for training of SOE managers (World Bank, 2002, pp. 89–91). The scope and comprehensiveness of the list of proposals still on the agenda is testament both to the recognition of the need for continued reform and to the effectiveness of the resistance mounted to previous efforts.

One aim of these reforms has been to reduce the power of line ministries, a source of which is the patronage and revenue generated by SOEs. The problem of the line ministries (both central and local units) looms large in Vietnamese public administration discourse. Although nominally under the supervision of the ‘functional ministries’ — Finance, Planning and Investment and so on — the line ministries effectively took control of the bulk of state resources following *doi moi*. With the removal of production and price controls and subsidies, and a lack of clear rules and institutions for regularizing newly emerging market relations, each SOE owner in a line ministry was left to fend for himself (Vasavakul, 1996, 1997). They built networks of personal contacts with officials who exercised discretion over bank loans, project budgets, letting of contracts and so on, and sought the protection of key party and state officials. Emerging private corporations benefiting from government contracts were also brought under these ‘umbrellas’. Reorganization of the management structure of SOEs and the restructuring of line and functional ministries (see below) were in part attempts to reassert central control over administrative entrepreneurs who had occupied the space left by the dismantling of many of the instruments of central planning. However, those attempts were no more than half-hearted because the beneficiaries of the status quo include senior, powerful political figures at the party centre and in the headquarters of state line ministries.

### STATE AND SOCIETY: THE PROBLEM OF CORRUPTION

The PAR Review acknowledged the problem of corruption:

Generally speaking, public servants are not yet committed to being the ‘servants of the people’. Service quality to citizens is not seen as the first priority, and not as a measure of performance. The relationship is not between the service provider and the person being served, but the kind of relationship found in the old days, as ‘beg and give’. Red tape, abuse of power and administrative harassment can easily be observed as a result; ... some public servants ... abuse their position in taking bribery, corruption, engaging in contraband trade and so on, in order to make illicit fortunes in violation of state laws (GSC, 2000c).

In reaction to official corruption, there have been serious protests and unrest across the country, the most widely reported being in Thai Binh in the early and mid 1990s and in Nam Dinh in 2000 (Vasavakul, 1996; Kerkvliet, 2001; Koh, 2001). In Thai Binh, the abuses included pocketing proceeds from selling state land, allocating land to friends and family and using local tax revenues for private purposes. Petitions and protests against corrupt local officials at first resulted in inaction, but later culminated in a 10,000 strong demonstration in the provincial capital and spontaneous instances of policemen being held hostage, local officials being bailed up and driven out of town, and their homes burnt. The government initiated an inquiry and prosecutions, as a result of which the provincial party chief and the Chairman of the Peoples Council were dismissed, and at least 30 officials ended up in prison. These events provided a stimulus to the PAR process, strengthening the hands of those (such as the authors of the 1999 Review) who wanted to separate party and state and establish a more professional civil service.

However, as with other aspects of administrative reform in Vietnam, the role of the party intervenes in thwarting the aims of the reformers. Official party doctrine does not acknowledge the principle that party officials are subject to a separate, external set of legal constraints in exercising their power as state officials. That power comes in the first instance from the party, and its officials both formulate state policy (which has a status at least equal to ‘law’) and interpret it through the eyes of the party. Gillespie (2002, pp. 188–193) gives several instances in which relatively senior party officials went un-prosecuted or got off lightly in cases of revealed corruption, and presents a strong argument that this reflects official party policy and doctrine that places the party before the law. At the same time, leading government and party members rail against the level of corruption and highlight it as a key problem for the reform programme to tackle. This is more than a conflict between ‘political’ and ‘administrative’ priorities,

represented by state officials with different roles, it is a conflict within the party elite about the manner in which the public power is constituted and exercised. At its heart, this conflict is the substance of the administrative reform agenda in contemporary Vietnam.

Studies of 'street level bureaucracy' in contemporary Vietnam highlight systemic features that accompany administrative corruption (Kerkvliet, 1995; Koh, 2001a). The first is a counter-productive set of remuneration-based incentives for bureaucratic performance. Salaries are very low and compressed, so that all the officials are driven to seek extra income and those moving up the ranks find their increased authority and power being accompanied by derisive monetary reward (McCarty, 2001; RIAP, 2001, pp. 190–192). Some of the extra income is found in various schemes for diverting state funds (for example, sub-contracting to 'consultants' comprising agency officials); other income is earned by offering advisory and other services for a fee to firms and individuals seeking their way through the labyrinths of the bureaucracy (e.g., advising foreign companies on how to evade the tax laws); and income is also earned from simple bribe-taking.

The culture of 'beg and give' is also encouraged by more or less formally sanctioned incentives for agencies to seek funds for their normal operations through various discretionary official fees, charges and levies from clients, customers and victims. Much of this off-budget revenue is used to supplement salaries. As the PAR review admitted:

The state is unable to control the real income of public servants and cadres. There is a big difference in the actual income among state administrative organizations (for example through subsidy for lunch and other types of allowances). Apart from salary, public servants also have other income, which the government is not able to control (GSC, 2000c).

In addition, the system-wide lack of formalism and transparency in rule making and administration places high levels of discretion and power in the hands of street level bureaucrats. The location of authority and jurisdiction between levels of government and across agencies at the same level is often unclear because of duplication, overlap and competition over lucrative, income-generating fields of administration.

The arbitrariness that accompanies the manner in which citizens experience street-level bureaucracy in turn encourages patterns of evasion and non-compliance. These responses to state authority are significant sources of 'voice' in relations between society and the state in Vietnam (White, 1985; Kerkvliet, 1995, 2001). But they are also highly disruptive to the emergence of stable patterns of bureaucratic authority that are important for the state's evolving regulatory role. The state is caught between the need for rationalization and the need to respond to social pressures by 'turning a blind eye' and 'easing off'. This bind is not unique to Vietnam, but is exacerbated in a polity where there are constraints on other forms of political voice. In the context of the reform agenda it is a further example of the tensions and contradictions that accompany it.

Salary reform is a key part of the PAR agenda, as are measures seeking to improve the quality and integrity of ordinances and to rationalize the kinds of discretion they permit, and steps to eliminate overlapping jurisdictions and simplify administrative structures. At the same time, other dimensions of the problem for the Vietnamese state are well understood by reformers. One of the responses to the Thai Binh disruptions was to introduce a new 'Grass Roots Democracy' decree, which allowed for much greater levels of participation at the village and ward levels. The concrete outcomes of these measures are uncertain. They will do little to satisfy the complaints of those members of the public who simply want the state to enforce the law and to throw the book at corrupt officials.

### RATIONALIZING ADMINISTRATIVE STRUCTURES

Under a programme to abolish state organizations made redundant by the withdrawal of the state from many aspects of detailed economic control, between 1986 and 2000 the number of ministerial level government bodies was reduced from 76 to 48. In 1989 and again in 1994, local government ordinances reduced the number of administrative units and the size of local and provincial level people's committees (the executive arm of provincial governments) (Vasavakul, 1996, pp. 54–55). The 1994 local government ordinance also placed people's committees more firmly under the power of the central government. As well, central government made increasing use of its

powers under the 1992 Constitution to rescind decisions by people's councils and committees. After 1996, peoples committees at a higher level could review and rescind ordinances issued by lower level organs.

These attempts to assert central control reflect the fact that the administrative system, although apparently seemingly hierarchical, is highly fragmented and decentralized (Kerkvliet, 2001; Vasavakul, 1999). A fundamental problem is the structure of 'dual accountability' that shapes lower level administrative behaviour. Chains of command and accountability are characteristically duplicated in the shape of a specialist 'line' command and a general-purpose 'functional' command. The head of a provincial administrative department in a line ministry is under the command both of the national ministry head office and of provincial level officials. Neither national nor provincial governments possess their own uninterrupted hierarchies of administrative command, but share overlapping structures. One common consequence of such a system is gaps in the control system, while another is duplication and buck-passing on the part of head offices.

In practice, chains of command between the central and provincial offices of ministries and departments are fractured. Units that are supposedly branches of head office can be effectively self-contained bureaucratic empires. One source of such autonomy is that provincial level agencies control their own recruitment and other personnel matters and there is effectively no unified nation-wide career structure. Departments and other agencies (including provincial and city authorities) have an ingrained pre-disposition towards self-sufficiency. Each ministry, e.g., is likely to have its own training and research institutes. For this and other reasons (discussed below), most ministries are sprawling, unwieldy organizations that comprise numerous divisions and offices, resulting in impossibly wide spans of control and weak systems of coordination.

At the centre, the Constitution sets some limits on the multiplication of government agencies. Nevertheless, the structure is complex, comprising 20 ministries, 5 'ministerial level agencies', and about 20 'general government affiliated agencies' and 100 'prime minister-affiliated agencies'. Each ministry has under its umbrella a diverse collection of departments and 'ministry-affiliated agencies', often called general departments. The latter enjoy a degree of legal independence within the ministry. Formal status can be important. A department or an institute carries with it higher status, pay and perks for its managers and greater autonomy and bargaining power in the budgetary process, than does a division of a department or a centre in an institute. This helps to explain the proliferation of stand-alone organizations and the 'flat' organizational structures of ministries.<sup>4</sup> The PAR Review noted, from inspecting the nature of agencies variously created as government-affiliated, prime minister-affiliated or ministry-affiliated, that there was no clear pattern determining why an agency was in one category rather than another (GSC, 2000b). It recommended a review of agencies to determine whether or not their functions were best performed by the state (e.g., professional and scientific bodies), to bring greater order to the system as a whole, and to promote decentralization. For example, it suggested that most government-affiliated and many prime minister-affiliated agencies could be incorporated into ministries or given a specific time limit to finish their task.

Such administrative rationalization, although concerned ostensibly with matters of machinery, is highly political and prone to high levels of resistance. The underlying reasons for the existence of overlapping but highly autonomous bureaucratic empires are deep-seated. They are sources of prestige, income and power for both bureaucrats and party officials. Some of them reflect factional, political, intellectual and other divisions of the Hanoi elite, providing havens of protection and succour for both in- and out-groups. In sum, the machinery of government is not solely, even primarily, an administrative but a political machine.

### CIVIL SERVICE REFORM

The struggle over civil service reform is a key part of the battle to reconstitute the state. The system of public employment, embodied in the Ordinance of Public Employment (1998), does not attempt to differentiate the

<sup>4</sup>The Ministry of Agriculture and Rural Development in 2001, in addition to nine departments, seven general departments, the Office of the Ministry and the Inspectorate, managed 22 research institutes, one hospital, one health care centre, two universities, two management training schools, 38 secondary and vocational schools, eight national parks, 14 'general corporations' responsible each for some state owned enterprises and (in addition) 464 independent state owned enterprises. Its field units were organized separately under a variety of functional departments and sub-departments.



distinct rights and duties of employees of state organizations, the party and associated mass organizations and the judiciary. Gillespie (2002, pp. 176–177) argues that all such employees are viewed as exercising ‘state power’ in an undifferentiated form. Under the ordinance, there are five categories of civilian state employment:

1. elected office
2. offices in political or socio-political organizations (that is, the party and its ‘satellites’ such as the Fatherland Front)
3. the public service, where employees are categorized by rank (education/qualifications) and have a standardized work title or occupational specialization
4. judges and prosecutors
5. civilian members of the police and armed forces.

Tensions remain between party and state over the form and functions of a professional civil service. The party’s interest in personnel decisions has already been noted, such that civil service rules give way to party criteria the more senior the position. However, the third of the categories of state employees is clearly defined in terms of civil service forms of recruitment and positions. The first ordinance to do this was adopted in 1993. The revised 1998 ordinance lays out civil service forms of personnel administration and allocates responsibility for administering them to a specific government agency (GCOP).

The existence of codified powers of appointment and promotion, administered by a separate central agency, is a significant step towards creating a professional civil service. However, the rules and criteria for recruitment, promotion, position classification and occupational categories are imprecise and allow for discretion and interpretation. Since 1994, every newly appointed civil servant has been supposed to qualify by passing a public examination. The examination is standard and regulated by GCOP and the National Academy of Public Administration (NAPA). Passing the exam is the basic requirement, but the rest is up to the appointing body, at which point the process is opaque. Like much else in the system of public administration, recruitment and personnel management are highly decentralized. The employing authority is the administrative unit involved—the people’s committee, the department and so on. Each has its personnel division, supposedly following GCOP guidelines. The effects of the system of dual accountability are in evidence. Orders and circulars flow in large quantities, but control and monitoring are weak. Agency heads and their superiors exercise direct and continuous influence over personnel decisions. Promotions and performance reviews are also decentralized, except that under the ordinance there are designated NAPA training programmes and examinations for candidates moving up the ranks.

There has traditionally been a strong commitment to training for government service in Vietnam, in part because of the priority given to political education. The relative importance of purely administrative or managerial, as distinct from political training, is a point of tension and conflict symptomatic of the transition through which the Vietnamese state is passing. For general training purposes, there are two major national institutes: the Ho Chi Minh Political Academy and NAPA. The 62 provincial training schools are branches of the Political Academy, as are about 600 training centres at district level. These are important for administrative and management training in local and provincial government. Within NAPA there are tensions between faculties wedded to a traditional doctrinal curriculum and those promoting training more oriented to modern management. Meanwhile, each ministry has at least one training school in which it conducts technical and professional training for its own staff. The PAR review was critical of this system. It identified a number of problems, such as the lack of a clear, coordinated central strategy and the existence of a confusion of overlapping, competing institutions running programmes of widely varying quality.

The principal objective of the civil service reform programme is, like much of the rest of the PAR programme, to institute a more centralized set of controls and a more uniform set of procedures. A strong signal of the growing significance of this matter was given by the promotion of GCOP to the status of a ministry in 2002. The intention is clear but the process is contested. The political forces that have benefited from fragmentation, lack of rules and weak supervision remain powerful. Agency heads are reluctant to give up patronage powers to supervising personnel agencies.

## PUBLIC FINANCES

The champions of financial reform are to be found in the Ministry of Finance and other coordinating agencies and they rely heavily on international expertise in framing reform programmes. A number of financial practices and procedures that are fundamental to the modern state are in the process of being instituted in Vietnam. The existence of a 'consolidated revenue fund' is one such and still cannot be taken as given. Thus, local agencies and departments of all kinds not only collect their own fees, charges and levies and spend the proceeds outside the state budget, but in some cases they operate their own bank accounts with minimum oversight. Controls and accounting systems to record transactions and monitor expenditures within the budget are rudimentary. In one respect, however, the system performs well: the Ministry keeps strict control of financial allocations to ministries and provinces, enabling the government to balance its books as well as helping to achieve macroeconomic stability.

The traditional socialist state accounting system in Vietnam was geared to recording financial transactions for statistical and revenue purposes, not for reasons of public accountability. The extraction of taxes from surpluses generated by state owned economic units was the main fiscal purpose of the system (tax reform is considered below). During the 1990s, a number of reforms were set in train to transform the system of public finances. A new law on State Budget was adopted in 1996; in 1997, internationally accepted classification systems and standards were adopted for reporting of expenditures; and a uniform budget manual was distributed for the 1998 budget (IMF/World Bank, 1999). A Public Expenditure Review and a Public Investment Programme were initiated with the help of international agencies. For the first time, the government published the state budget in 1999.

The law on State Budget sets out the responsibilities of state agencies in preparing, executing, accounting for and inspecting the state budget. It sets out reporting conditions and an oversight role for the National Assembly, defines the expenditure and revenue powers of the levels of government, provides for a regularized system of revenue sharing and transfers and spells out accounting and auditing systems. Within this framework, many administrative practices fall short of the broad intentions. For example, the issuance of a set of standards and requirements in 1999 for public expenditure accounting has placed an unrealistic burden on lower level units, whose basic record keeping systems cannot cope (World Bank, 2001b, Annex 1). Audit systems are relatively weak, with little internal audit capacity. The State Audit of Vietnam (SAV), which dates from 1994, is growing in expertise, resources and stature, but it is not an independent audit body. It reports directly to the Prime Minister (with no guarantee of public disclosure) and, on an occasional basis, to the National Assembly (World Bank, 2001b, pp. 9–10). Its functions overlap with those of the longer-standing Financial Inspection Division of the Ministry of Finance as well as the State Inspection Office, which has traditionally undertaken the primary role of enforcing legal requirements on state administrators.

The tax system is one of the weakest points in Vietnam's evolving system of public administration. Until changes begun in 1988, state revenue depended primarily on contributions from SOEs. In 1988, a customs tariff was introduced and in 1990 turnover and profits taxes. A national tax collection office was set up, later reconstituted as the General Department of Taxation (GDT) in the Ministry of Finance, and the General Department of Customs. A VAT replaced the turnover tax in 1999 and a new system of business income taxation was introduced. Despite these changes, tax payments have recently been aptly described as 'more in the nature of a negotiated tribute than a payment based on measurable transaction values or income flows' (Warner, 2000, p. 19). Much of the economy is beyond the reach of the state in the informal sector; accounting standards and rules regulating the financial transaction of companies and other economic entities are either non-existent or not enforced; the GDT has low administrative capacity and devotes most of the resources it can muster to negotiate special arrangements with the largest economic entities; and *ad hoc* exemptions and concessions reflect the multitude of political deals that accompany the commercial activities of SOEs.

Tax reform is very important for two main reasons: first, it will be necessary to place the financing of public services on a predictable and efficient footing simply to sustain its routine operations, including payment of the salary bill; and second, it is a precondition for realization of other core aspects of the PAR agenda. The absence of an effective, centralized uniform system of taxation is a chief reason for the fundamental weakness of control mechanisms within the state apparatus. In their absence, centripetal forces shape the pattern of day-to-day

administration. When central disbursements fail to meet the salary and maintenance bills of local operating units, *ad hoc* and decentralized systems of levies and charges are the only alternative and become accepted as the norm. The size and scope of the off-budget sector breeds resistance to central control, encourages turf wars and sustains local patron-client relations in personnel matters, in turn obstructing implementation of civil service reforms. Finally, favouritism and arbitrariness in the treatment of citizens and market actors are also encouraged by the need to extract off-budget funds. This is a political struggle within the state for the control of its own resources and it is fundamental in shaping the nature and trajectory of administrative reform.

## CONCLUSION

Public administration reform is a complex, conflict-ridden process in Vietnam. Most items on the agenda raise issues that are fundamental to the interests of powerful political actors and the dilemmas of reform show themselves in continuing divisions over both strategy and implementation. The traditional practices of the Vietnamese socialist state are well entrenched in a multitude of institutional forms. Habits and styles of political behaviour—the elite political culture—also constrain reform. Perhaps most significant of all, the socialist state encompasses and embodies vital material interests, both those arising from official forms of privilege and status and those clustering around informal groupings.

Proponents of marketization and public sector reform among international and national donors make persuasive presentations about the need for faster and deeper reforms. But the view of the long-term that is embodied in the arguments for the PAR programme as it stands comes primarily from within the state and the party. The content and trajectory of reform as it unfolds is being shaped primarily by internal conflicts over control and management of state resources. The reform momentum is provided by developmental goals and political strategies constructed by elite state actors, who seek above all diffused forms of continued public support for the regime and an absence of social and political dissent. The success of the economic transition is vital for both of these outcomes and the need for structural reforms to bring this about is widely acknowledged, so the demand for reform will continue to be expressed.

There has not been space in this discussion to consider the situation at local, grass roots levels (see Fritzen, 2001). As noted, the pressure from citizens aggrieved by corruption and maladministration has on occasion been so intense as to erupt in local violence. Some of the most applauded parts of the PAR programme in the 1990s were at local and provincial levels, such as the innovations in reorganizing service delivery organizations and procedures in Ho Chi Minh City (HCM City People's Committee, 2000). This 'bottom up' strategy, with its reliance on 'pilots', gave way to the centrally managed PAR plan in the late 1990s, in part because the incentives and resources to emulate best practice were not sufficient to lead to diffusion of these isolated experiments. Recent government (and donor) emphasis has shifted from encouraging local initiatives to coordinated, large scale support for the centrally managed PAR programme.

The PAR programme is at a critical point. The government's strong public commitment to a centrally managed programme has brought the issue to centre stage. Given the economic forces at play and the demands from citizens for efficient and honest service from the bureaucracy, one can expect that state sector reform will continue to be a major priority. Expectations are high and government reformers have committed heavily to the programme.<sup>5</sup> But at the same time, because the political stakes are so high, one can predict that there will be continued conflict, causing delays and reversals. In response to the commitment shown by the government, donor agencies such as UNDP and ADB are focusing assistance on helping central agencies to frame an implementation strategy and put it into effect (UNDP, 2001; ADB, 2002). Given the intensity of the political conflicts over reform discussed in this article, this is a high risk donor strategy, but one that may be unavoidable. The other avenue for assistance is to reform initiatives away from the centre, to encourage local experiments and learning (Fritzen, 2001, p. 29). There is a strong demand

<sup>5</sup>Following the re-election by the National Assembly of the three senior government figures in July 2002, each of them emphasized that administrative and legal reforms were the top priority in the government's immediate reform strategy (Ha, 2002).

for such initiatives among hard pressed provincial administrators seeking to operate in an increasingly challenging environment. Experience of many donors mirrored that of the early PAR programme, however, in that uncoordinated local assistance may have created temporary 'islands of excellence', but system-wide change remained illusive. This is a dilemma to which there is no easy resolution, but one that is familiar in governance aid and development. As the reform momentum at the centre continues, it seeks increasing support that cannot be denied. However, given the risk, continued assistance to bottom-up development would help keep up the pressure of demand for reform as well as assisting in its local implementation.

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